



County of Los Angeles CHIEF EXECUTIVE OFFICE

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Chief Executive Officer

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July 1, 2014

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

RESPONSE TO THE AUGUST 20, 2013 BOARD MOTION REQUESTING ALL PARTIES TO REPORT TO THE BOARD ON ACTION TAKEN IN RESPONSE TO THE AUGUST 28, 2012 MOTION CONCERNING THE MEDICARE PART D DRUG SUBSIDY PROGRAM

This memo is in response to your motion of August 20, 2013 requesting the Chief Executive Office (CEO), with the assistance of the Auditor-Controller and the Treasurer and Tax Collector, to report to the Board on the action taken by all parties in response to the August 28, 2012 motion concerning the Medicare Part D Drug Subsidy program and an effort to achieve maximum possible cost recovery for the County. On September 19, 2013 and February 20, 2014, we submitted progress reports. This report is an update to those reports.

The Los Angeles County Employees Retirement Association (LACERA) issued a Request for Proposal for Medicare Part D Retiree Drug Subsidy (RDS) Audit Services in August of 2013. LACERA staff subsequently evaluated the proposals received, and submitted the finalists to the Board of Retirement. At the January 15, 2014 meeting, the Board of Retirement conducted interviews. Milliman was selected by the Board to provide the Retiree Drug Subsidy Program reviews.

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A kick-off meeting between Milliman and LACERA was held on February 6, 2014. The meeting began Phase 1 of the Statement of Work and included:

Process Review

1. Review LACERA RDS submission process to assure process is efficient and effective and functioning as intended.
2. Report results and recommendations for LACERA RDS submission process improvements.

2008-2009 Audit/Review

1. Audit 2008-2009 RDS applications for all insurance plan carriers for completeness, accuracy, and compliance.
2. Report audit findings to LACERA, with all errors/exceptions found in the 2008-2009 RDS submission and provide recommendations for/against reopening of RDS submission.

2008-2009 Resubmission (If decision to reopen RDS applications is made by LACERA)

1. Reopen on LACERA's behalf.
2. Provide all required submission data to/for RDS resubmission.
3. Assure all supporting data/documentation is provided to LACERA for future audit reference.

UPDATE – *Milliman has completed the audit of Cigna, but has not released the finding. The audits of Kaiser and Anthem are still in process.*

Previously reported LACERA actions and updates include:

- Sole sourced the 2006-2007 RDS claim audits with their Retiree Healthcare Program (RHP) consultant, Aon Hewitt (Aon). In an effort to protect their ability to fix potential problems with RDS claim submission, LACERA staff asked Centers for Medicare Services (CMS) to reopen the 2006-2007 claim year. The audit's scope was reduced to include only Anthem Blue Cross as CMS denied reopening other plans. In November 2012, LACERA submitted the reopening request for Anthem Blue Cross (2006-2007 plan year) to CMS. CMS approved this request. Subsequently, LACERA completed the required CMS steps and submitted the payment request on October 30, 2013. In November 13, 2013, LACERA received the additional approved subsidy amount of \$543,147.59.

- Sole sourced the 2007-2008 RDS claim audits with their RHP consultant Aon for the Cigna HMO and Kaiser plans. These audits were sole sourced due to project time lines (window to get the project completed was relatively narrow). Based on the result of Aon's findings of the audit, Aon recommended with staff's agreement that it would not be in the best interest for LACERA to pursue another reopening for the 2007-2008 plan year. This decision was made based on the following factors: (1) the additional reimbursement amount requested for the 2006-2007 plan year when compared to the potentially eligible additional amount is lower for the 2007-2008 plan year, and (2) CMS' previous declination to reopen Cigna and Kaiser plans for the 2006-2007 plan year.
- Released an RDS Audit RFP for the 2007-2008 Anthem Blue Cross RDS plan, and plans with RDS claims submitted for the 2008-2009 and 2009-2010 plan years. Project deadlines are sufficiently in the future that they should be able to complete the RFP process, assess RDS claim findings, and work with CMS should the need arise. Project time line includes presenting finalist vendors to the Insurance, Benefit, and Legislative Committee at the November 14, 2013 meeting.
- Staff of LACERA and the CEO met with Los Angeles Unified School District (LAUSD) staff to analyze the discrepancies in RDS reimbursements for the calendar years 2007 and 2008. Analysis suggests a significant difference in the amount spent on drugs between the two entities; therefore, suggesting a significant difference in reimbursements would be expected. Staff continues to work with LAUSD to validate the numbers.

Significant progress continues to be made on LACERA's Retiree Drug Subsidy program. We will continue to update the Board of Supervisors on the progress. If you have any questions regarding this matter, please contact Maryanne Keehn at (213) 974-0470.

WTF:BC:JA
MTK:mst

c: John Naimo, Auditor-Controller
Mark Saladino, Treasurer and Tax Collector
Gregg Rademacher, LACERA